

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Ellsworth	County Antrim
Audit Date 2/28/05	Opinion Date 5/19/05	Date Accountant Report Submitted to State: 6/27/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter & Bishop, P.C.			
Street Address 134 W. Harris Street		City Cadillac	State MI
Accountant Signature 		ZIP 49601	Date

VILLAGE OF ELLSWORTH, MICHIGAN

FEBRUARY 28, 2005

VILLAGE OF ELLSWORTH, MICHIGAN

FEBRUARY 28, 2005

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

May 19, 2005

INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Ellsworth, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Village of Ellsworth, Michigan, as of and for the year ended February 28, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Ellsworth, Michigan's, management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position, the governmental activities, the business-type activities and each major fund of the Village of Ellsworth, Michigan, as of February 28, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the District has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of March 1, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2005 on our consideration of the Village of Ellsworth's internal control over financial reporting and on our

tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through x and 26, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepting in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Ellsworth, Michigan, basic financial statements. The individual fund financial statements and other information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

VILLAGE OF ELLSWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

Management's Discussion and Analysis

The management of the Village of Ellsworth, Michigan ("the Village") offers this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 28, 2005 for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the Village's financial activity. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

Government-Wide

- ❖ The assets of the Village exceeded its liabilities at the close of this fiscal year by \$778,727 (shown as *Net Assets*), representing an increase of \$20,443 over the previous fiscal year. Governmental Funds represented \$36,278 of this increase, while Business-Type activities accounted for a decrease \$15,835 in net assets.

Fund Level Financial Highlights

- ❖ As of February 28, 2005, the governmental funds of the Village of Ellsworth reported combined ending fund balances of \$176,726, of which \$174,755 is unreserved.
- ❖ The unreserved fund balance of the Village's General Fund increased this year to \$126,515, or 69.47% of total general fund expenditures.

Long-Term Debt

- ❖ The Village of Ellsworth's total debt **decreased** by \$21,847 during the fiscal year.

Overview of the Financial Statements

The Village of Ellsworth's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements This report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide a broad overview of the Village's financial position. The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the Village as a whole, and provide measurements of long-term trends. They are presented using a method of accounting that is similar to a private-sector business.

The *Statement of Net Assets* (Pages 1-2) presents information on all of the Village's assets and liabilities, the difference between the two being reported as the Net Assets of the Village. Over

VILLAGE OF ELLSWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

time, increases or decreases in net assets can serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. An increase in net assets would indicate an improvement in financial condition. On the other hand, a consistent decrease over time in net assets may indicate a decline in the financial health of an organization.

The *Statement of Activities* (Page 3) gives the information on the revenues and expenses causing the underlying change in the government's net assets during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

Both of these statements distinguish functions of the Village that are principally supported by property taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Governmental activities of the Village include general government, public safety, major and local streets, public works, culture and recreation. Business-type activities of the Village include water utility services.

Focus on Funds

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus has shifted, however, to Major Funds, rather than the previous focus on fund types. The Village's major Governmental Funds include the General Fund, Major Street Fund, Local Street Fund and Recreation Fund. The major Proprietary Fund is the Water Fund. Presentation of major funds can be found on pages 27-48 of this document.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The Village of Ellsworth uses fund accounting to ensure compliance with finance-related legal requirements. There are three basic types of funds: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds Many of the Village's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide statements. These items are recorded in the governmental fund statements on the Statement of Revenues, Expenditures and Changes in Fund Balance as an expenditure. No depreciation is recorded on capital items. The balance sheet for governmental funds does not include any capital items or long-term debt. Governmental funds for the Village include the General Fund as well as the special revenue and permanent funds.

VILLAGE OF ELLSWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

Proprietary Funds Proprietary funds account for services for which the Village charges its customers for the services they are provided. These charges can be to external customers or other agencies within the Village. Enterprise funds are one type of proprietary funds:

- Enterprise funds are used to report business-like activities of the Village. These activities intend to recover the full cost of the services through the fee charged to the customers. The Village has one enterprise fund, which is the Water Fund.

Notes to the Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements. The notes can be found beginning on Page 14 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements. This information can be found beginning on Page 26 of this report.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Village's financial position over time. The Net Assets of the Village are \$778,727 at February 28, 2005, meaning that the Village's assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. A useful comparative analysis will be presented in future years when the information is available.

*Village of Ellsworth
Net Assets
As of February 28, 2005*

	Governmental Activities	Business-Type Activities	Total Primary Government
	<u>2005</u>	<u>2005</u>	<u>2005</u>
Current and other assets	\$ 184,875	\$ 94,932	\$ 279,807
Capital Assets	93,049	755,301	848,350
Total Assets	<u>\$ 277,924</u>	<u>\$ 850,233</u>	<u>\$ 1,128,157</u>

VILLAGE OF ELLSWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

Long-term liabilities	\$ 0	\$ 332,000	\$ 332,000
Other liabilities	9,174	8,256	17,430
Total Liabilities	<u>\$ 9,174</u>	<u>\$ 340,256</u>	<u>\$ 349,430</u>
Net Assets			
Invested in capital assets			
net of related debt	\$ 92,024	\$ 416,301	\$ 508,325
Restricted	0	66,991	66,991
Unrestricted	176,726	26,685	203,411
Total Net Assets	<u>\$ 268,750</u>	<u>\$ 509,977</u>	<u>\$ 778,727</u>

The most significant portion of the Village's Net Assets is the investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Village used to acquire or construct the asset. The Village has \$203,411 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Village policies regarding their use.

The total net assets of the Village increased \$20,443 in this fiscal year, which is a good indicator that the Village experienced positive financial growth during the year. As a result, the Village ended the fiscal year in better condition than when the year started.

The following table illustrates and summarizes the results of the changes in the Net Assets for the Village. The condensed information was derived from the Government-wide Statement of Activities.

*Village of Ellsworth
Change in Net Assets
For the Fiscal Year Ended February 28, 2005*

	Governmental Activities	Business-Type Activities	Total
Revenues			
Program Revenues			
Charges for Services	\$ 1,061	\$ 58,352	\$ 59,413
Operating Grants and Contributions	78,980	0	78,980
General Revenues			
Property Taxes and Assessments	80,029	0	80,029
State Shared Revenue	56,951	0	56,951
Unrestricted Investment Earnings	43,809	1,771	45,580
Other	20,568	24,345	44,913
Total Revenues	<u>\$ 281,398</u>	<u>\$ 84,468</u>	<u>\$ 365,866</u>

VILLAGE OF ELLSWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

Expenses

Legislative	\$ 11,695	\$ 0	\$ 11,695
General Government, Administrative	91,328	0	91,328
Public Safety	1,720	0	1,720
Public Works	92,493	0	92,493
Recreation and Culture	26,545	0	26,545
Community and Economic Development	2,679	0	2,679
Health and Welfare	3,500	0	3,500
Other Function	15,055	0	15,055
Interest on Long-Term Debt	105	0	105
Water	0	100,303	100,303
Total Expenses	\$ 245,120	\$ 100,303	\$ 345,423
Increase (Decrease) in Net Assets	\$ 36,278	(\$ 15,835)	\$ 20,443
Beginning Net Assets	232,472	525,812	758,284
Ending Net Assets	<u>\$268,750</u>	<u>\$ 509,977</u>	<u>\$ 778,727</u>

Governmental Activities

The most significant portion of the revenue for all governmental activities of the Village of Ellsworth comes from Property Taxes (28.4%). The Village's operating millage remained the same in 2005 at 11 mills. The Village's charter allows the Village to levy up to 15 mills for operations.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes. In 2005, the amount of state shared revenue received by the Village once again trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Village's governmental activities expenses are dominated by the Public Works expenses that total 37.7% of total expenses. The Village spent \$92,493 in FY2005 on Public Works. Expenses in the Major Street Fund (\$47,168) and Local Street Fund (\$30,032) represent a majority of the Public Works expenditures. General Government Administrative represented the next largest expense at \$91,328 or 37.3% of total expenses within the governmental activities.

Business-Type Activities

These activities accounted for a decrease of \$15,835 in the Village's Net Assets.

The Business-type activities of the Village include the Water Fund, which provides water utility services to Village residents as well as commercial customers.

VILLAGE OF ELLSWORTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

Financial Analysis of the Government's Funds

Governmental Activities At the completion of the Village's fiscal year ended February 28, 2005, its governmental funds reported fund balances of \$176,726. Of this amount, \$174,755, or 98.9% is unreserved. This amount includes \$48,240 designated for street improvements. The remaining \$1,971 of fund balance of the governmental funds is reserved for specific purposes and is therefore not available for new appropriation.

General Fund – The General Fund is the main operating fund of the Village. The General Fund increased its fund balance in this fiscal year by \$21,098, bringing the balance to \$126,515. Unreserved fund balance increased by \$21,098. All of the General Fund's major functions with the exception of Other Functions ended the year with expenditures below appropriated amounts. In the Other Functions, an increase in liability insurance expense accounted for much of the overage. Property tax revenues in the General Fund increased \$3,124 in 2005, an increase of 4.1%. State shared revenue decreased by \$3,597 from the amount received in the previous fiscal year, representing a 7.0% reduction which resulted from State actions in response to the economic slowdown experienced throughout the State.

Major Street Fund – The Major Street Fund completed \$11,569 in street improvements in this fiscal year. The fund balance of the Major Street Fund ended the year at \$42,445. This was a reduction of \$4,477 from the previous year. The Village used funds accumulated from previous years in order to complete this year's projects.

Local Street Fund – The Local Street Fund completed \$15,656 in street construction and improvements in this fiscal year. The fund balance of this fund is at \$5,795, a decrease of \$798, during this fiscal year.

Recreation Fund – The fund balance of this fund is at \$1,971, an increase of \$1,309, during the fiscal year.

Proprietary Funds The Village's proprietary fund provides virtually the same information as the government-wide statements; however more detail may be found in the fund financial statements.

Water Fund – The Water Fund ended this fiscal year with \$26,685 in unrestricted net assets. This fund experienced a decrease in interest income of \$818, or 31.6% from the previous fiscal year. The net assets of the fund decreased by \$15,835 in 2005. This fund remains in sound fiscal condition moving forward.

VILLAGE OF ELLSWORTH

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

Capital Asset and Debt Administration

Capital Assets. The Village's investment in capital assets for the governmental and business-type activities as of February 28, 2005 amounted to \$848,350 (net of accumulated depreciation). Capital assets of the Village include any items purchased that cost in excess of \$5,000 and have an expected useful life of over one year. The Village has invested in a broad range of capital assets, as detailed below:

*Village of Ellsworth
Capital Assets as of February 28, 2005*

	Governmental Activities	Business-Type Activities	Total Primary Government
Land and Land Improvements	\$ 19,075	\$ 0	\$ 19,075
Buildings	109,000	29,337	138,337
Improvements other than Buildings	0	1,184,489	1,184,489
Machinery and Equipment	119,399	50,643	170,042
Subtotal	\$ 247,474	\$ 1,264,469	\$ 1,511,943
Accumulated Depreciation	154,425	509,168	663,593
Net Capital Assets	\$ 93,049	\$ 755,301	\$ 848,350

Major capital asset events during FY2005 included the following:

- The Village's Water System was expanded at a total cost of \$28,317.
- A pickup truck was purchased at a cost of \$6,000.
- A labyrinth was constructed at a cost of \$19,058.

Additional information regarding the Village's capital assets can be found in the Notes to Financial Statements section on pages 22-23.

Long-Term Debt. As of February 28, 2005, the Village had total bonded debt outstanding of \$339,000. The Village's debt represents bonds secured solely by specified revenue sources. The revenue bonds are associated with the Water Fund (\$339,000), are backed by revenues from the Water system, and have been used to finance major capital projects within the Water system.

VILLAGE OF ELLSWORTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

*Village of Ellsworth Outstanding Debt
General Obligation and Revenue Bonds
as of February 28, 2005*

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total Primary</u>
Contracts and Notes	\$ 1,025	\$ 0	\$ 1,025
Revenue Bonds	0	339,000	339,000
Total	<u>\$ 1,025</u>	<u>\$ 339,000</u>	<u>\$ 340,025</u>

The Village issued no new bonded debt in FY2005, and the total debt decreased from \$361,842 at February 29, 2004, to \$340,025 at February 28, 2005, a reduction of \$21,817. More information on the Village's long-term debt is available in the Notes to Financial Statements section of this document, on pages 24.

Contacting the Village's Finance Department

This financial report is designed to provide the wide variety of users of this document with a general overview of the Village's finances and demonstrate the Village's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to the Village of Ellsworth, P.O. Box 265, Ellsworth, MI 49729, or call us at (231) 588-7411.

VILLAGE OF ELLSWORTH, MICHIGAN

STATEMENT OF NET ASSETS

FEBRUARY 28, 2005

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash	\$ 165,577	\$ 19,836	\$ 185,413
Receivables			
Taxes	338	0	338
Accounts	0	6,659	6,659
Internal Balances	554	(554)	0
Due from Other Governments	18,406	0	18,406
Inventory	0	2,000	2,000
Total Current Assets	\$ 184,875	\$ 27,941	\$ 212,816
<u>RESTRICTED ASSETS</u>			
Deposits			
Bond and Interest Redemption Fund	\$ 0	\$ 25,000	\$ 25,000
Bond Reserve Account	0	36,990	36,990
Special Purpose Account	0	5,001	5,001
Total Restricted Assets	\$ 0	\$ 66,991	\$ 66,991
<u>CAPITAL ASSETS</u>			
Land	\$ 17	\$ 0	\$ 17
Land Improvements	19,058	0	19,058
Buildings	109,000	29,337	138,337
Improvements Other Than Buildings	0	1,184,489	1,184,489
Machinery and Equipment	119,399	50,643	170,042
	\$ 247,474	\$ 1,264,469	\$ 1,511,943
Less Accumulated Depreciation	154,425	509,168	663,593
Net Capital Assets	\$ 93,049	\$ 755,301	\$ 848,350
TOTAL ASSETS	\$ 277,924	\$ 850,233	\$ 1,128,157

The accompanying notes are an integral part of the financial statements.

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS
<u>LIABILITIES AND NET ASSETS</u>			
<u>CURRENT LIABILITIES</u>			
Bank Overdraft	\$ 43	\$ 0	\$ 43
Accounts Payable	3,314	813	4,127
Salaries Payable	0	443	443
Payroll Withholdings Payable	412	0	412
Accrued Expenses	4,380	0	4,380
Current Portion of Long-Term Debt	1,025	7,000	8,025
Total Current Liabilities	\$ 9,174	\$ 8,256	\$ 17,430
<u>LONG-TERM LIABILITIES</u>			
Revenue Bonds	0	332,000	332,000
TOTAL LIABILITIES	\$ 9,174	\$ 340,256	\$ 349,430
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 92,024	\$ 416,301	\$ 508,325
Restricted for Debt Service	0	61,990	61,990
Restricted for Special Purposes	0	5,001	5,001
Unrestricted	176,726	26,685	203,411
TOTAL NET ASSETS	\$ 268,750	\$ 509,977	\$ 778,727
TOTAL LIABILITIES AND NET ASSETS	\$ 277,924	\$ 850,233	\$ 1,128,157

The accompanying notes are an integral part of the financial statements.

VILLAGE OF ELLSWORTH, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2005

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>						
Legislative	\$ 11,695	\$ 0	\$ 0	\$ (11,695)	\$ 0	\$ (11,695)
General Government, Administrative	91,328	0	250	(91,078)	0	(91,078)
Public Safety	1,720	390	0	(1,330)	0	(1,330)
Public Works	92,493	0	71,715	(20,778)	0	(20,778)
Recreation and Culture	26,545	671	7,015	(18,859)	0	(18,859)
Community and Economic Development	2,679	0	0	(2,679)	0	(2,679)
Health and Welfare	3,500	0	0	(3,500)	0	(3,500)
Other Functions	15,055	0	0	(15,055)	0	(15,055)
Debt Service	105	0	0	(105)	0	(105)
Total Governmental Activities	\$ 245,120	\$ 1,061	\$ 78,980	\$ (165,079)	\$ 0	\$ (165,079)
<u>BUSINESS-TYPE ACTIVITIES</u>						
Water System	100,303	58,352	0	0	(41,951)	(41,951)
TOTAL	\$ 345,423	\$ 59,413	\$ 78,980	\$ (165,079)	\$ (41,951)	\$ (207,030)
<u>GENERAL REVENUES</u>						
Property Taxes				\$ 80,029	\$ 0	\$ 80,029
State Shared Revenue				56,951	0	56,951
Unrestricted Investment Earnings				43,809	1,771	45,580
Other				20,568	24,345	44,913
Total General Revenues				\$ 201,357	\$ 26,116	\$ 227,473
Change in Net Assets				\$ 36,278	\$ (15,835)	\$ 20,443
NET ASSETS - Beginning of Year				232,472	525,812	758,284
NET ASSETS - End of Year				\$ 268,750	\$ 509,977	\$ 778,727

The accompanying notes are an integral part of the financial statements.

VILLAGE OF ELLSWORTH, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

FEBRUARY 28, 2005

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	RECREATION FUND	TOTALS
<u>ASSETS</u>					
Cash					
Checking	\$ 75,796	\$ 34,058	\$ 0	\$ 1,971	\$ 111,825
Certificates of Deposit	53,752	0	0	0	53,752
Taxes Receivable	338	0	0	0	338
Due from Other Funds	3,807	0	6,150	0	9,957
Due from Other Governments	0	15,085	3,321	0	18,406
TOTAL ASSETS	<u>\$ 133,693</u>	<u>\$ 49,143</u>	<u>\$ 9,471</u>	<u>\$ 1,971</u>	<u>\$ 194,278</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Bank Overdraft	\$ 0	\$ 0	\$ 43	\$ 0	\$ 43
Accounts Payable	2,386	548	380	0	3,314
Payroll Withholdings Payable	412	0	0	0	412
Accrued Wages	4,380	0	0	0	4,380
Due to Other Funds	0	6,150	3,253	0	9,403
Total Liabilities	<u>\$ 7,178</u>	<u>\$ 6,698</u>	<u>\$ 3,676</u>	<u>\$ 0</u>	<u>\$ 17,552</u>
<u>FUND BALANCE</u>					
Reserved for:					
Recreation Programs	\$ 0	\$ 0	\$ 0	\$ 1,971	\$ 1,971
Unreserved:					
Designated for:					
Street Improvements	0	42,445	5,795	0	48,240
Undesignated	126,515	0	0	0	126,515
Total Fund Balance	<u>\$ 126,515</u>	<u>\$ 42,445</u>	<u>\$ 5,795</u>	<u>\$ 1,971</u>	<u>\$ 176,726</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 133,693</u>	<u>\$ 49,143</u>	<u>\$ 9,471</u>	<u>\$ 1,971</u>	<u>\$ 194,278</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF ELLSWORTH, MICHIGAN
GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
FEBRUARY 28, 2005

Total Fund Balances for Governmental Funds	\$ 176,726
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	\$ 17	
Land Improvements	19,058	
Buildings	109,000	
Machinery and Equipment	119,399	
Accumulated Depreciation	<u>(154,425)</u>	93,049

Long-term liabilities are not due and payable in the current period
and therefore are not reported in the funds.

Equipment Note Payable	<u>(1,025)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 268,750</u></u>
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The accompanying notes are an integral part of the financial statements.

VILLAGE OF ELLSWORTH, MICHIGAN
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED FEBRUARY 28, 2005

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	RECREATION FUND	TOTALS
<u>REVENUES</u>					
Taxes	\$ 80,029	\$ 0	\$ 0	\$ 0	\$ 80,029
Licenses and Permits	390	0	0	0	390
Federal Grants	3,515	0	0	0	3,515
State Grants	56,951	56,688	15,027	0	128,666
Contributions from Local Units	250	0	0	3,500	3,750
Charges for Services	0	0	0	671	671
Interest and Rents	43,619	133	57	0	43,809
Other Revenue	20,148	20	0	400	20,568
Total Revenues	\$ 204,902	\$ 56,841	\$ 15,084	\$ 4,571	\$ 281,398
<u>EXPENDITURES</u>					
Legislative	\$ 11,695	\$ 0	\$ 0	\$ 0	\$ 11,695
General Government	87,382	0	0	0	87,382
Public Safety	1,720	0	0	0	1,720
Public Works	15,293	47,168	30,032	0	92,493
Community and Economic Development	2,679	0	0	0	2,679
Health and Welfare	3,500	0	0	0	3,500
Recreation and Cultural	40,641	0	0	4,962	45,603
Other Functions	15,055	0	0	0	15,055
Debt Service	4,139	0	0	0	4,139
Total Expenditures	\$ 182,104	\$ 47,168	\$ 30,032	\$ 4,962	\$ 264,266
Excess (Deficiency) of Revenues Over Expenditures	\$ 22,798	\$ 9,673	\$ (14,948)	\$ (391)	\$ 17,132

The accompanying notes are an integral part of the financial statements.

VILLAGE OF ELLSWORTH, MICHIGAN
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED FEBRUARY 28, 2005

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	RECREATION FUND	TOTALS
<u>OTHER FINANCING SOURCES (USES)</u>					
Operating Transfers In	\$ (1,700)	\$ 0	\$ 0	\$ 1,700	0
Operating Transfers Out	0	(14,150)	14,150	0	0
Total Other Financing Sources (Uses)	\$ (1,700)	\$ (14,150)	\$ 14,150	\$ 1,700	\$ 0
Net Change in Fund Balance	\$ 21,098	\$ (4,477)	\$ (798)	\$ 1,309	\$ 17,132
<u>FUND BALANCE</u> - Beginning of Year	105,417	46,922	6,593	662	159,594
<u>FUND BALANCE</u> - End of Year	\$ 126,515	\$ 42,445	\$ 5,795	\$ 1,971	\$ 176,726

The accompanying notes are an integral part of the financial statements.

VILLAGE OF ELLSWORTH, MICHIGAN
GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2005

Net change in Fund Balance - Total Governmental Funds	\$ 17,132
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation in the statement of activities.	
Depreciation Expense	(9,946)
Capital Outlay	25,058
Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).	
Equipment Note Payable	<u>4,034</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 36,278</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF ELLSWORTH, MICHIGAN
PROPRIETARY FUND
STATEMENT OF NET ASSETS
FEBRUARY 28, 2005

	<u>ASSETS</u>	<u>WATER FUND</u>
<u>CURRENT ASSETS</u>		
Cash		
Checking		\$ 16,536
Certificate of Deposit		3,300
Accounts Receivable		6,659
Inventory		2,000
		<hr/>
Total Current Assets		\$ 28,495
		<hr/>
<u>RESTRICTED ASSETS</u>		
Deposits		
Bond and Interest Redemption Fund		\$ 25,000
Bond Reserve Account		36,990
Special Purpose Account		5,001
		<hr/>
Total Restricted Assets		\$ 66,991
		<hr/>
<u>CAPITAL ASSETS</u>		
Buildings		\$ 29,337
Machinery and Equipment		50,643
Water Systems		1,184,489
		<hr/>
		\$ 1,264,469
Less Accumulated Depreciation		509,168
		<hr/>
Net Capital Assets		\$ 755,301
		<hr/>
TOTAL ASSETS		\$ 850,787
		<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF ELLSWORTH, MICHIGAN
PROPRIETARY FUND
STATEMENT OF NET ASSETS
FEBRUARY 28, 2005

	<u>WATER FUND</u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 813
Salaries Payable	443
Due to General Fund	554
Revenue Bonds Payable - Current Portion	<u>7,000</u>
Total Current Liabilities	\$ 8,810
 <u>LONG-TERM LIABILITIES</u>	
Revenue Bonds Payable - Net of Current Portion	<u>332,000</u>
 TOTAL LIABILITIES	 <u>\$ 340,810</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 416,301
Restricted	66,991
Unrestricted	<u>26,685</u>
Total Net Assets	<u>\$ 509,977</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 850,787</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF ELLSWORTH, MICHIGAN
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
YEAR ENDED FEBRUARY 28, 2005

	<u>WATER FUND</u>
<u>OPERATING REVENUES</u>	
Charges for Services	\$ 58,352
Other Revenue	<u>24,345</u>
Total Operating Revenues	<u>\$ 82,697</u>
<u>OPERATING EXPENSES</u>	
Administrative and General	\$ 10,392
Plant	<u>68,933</u>
Total Operating Expenses	<u>\$ 79,325</u>
Operating Income (Loss)	<u>\$ 3,372</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Revenue	\$ 1,771
Interest Expense	<u>(20,978)</u>
Total Nonoperating Revenues (Expenses)	<u>\$ (19,207)</u>
Change in Net Assets	\$ (15,835)
<u>TOTAL NET ASSETS</u> - Beginning of Year	<u>525,812</u>
<u>TOTAL NET ASSETS</u> -End of Year	<u><u>\$ 509,977</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF ELLSWORTH, MICHIGAN
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
YEAR ENDED FEBRUARY 28, 2005

	<u>WATER FUND</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 57,586
Cash Payments to Suppliers for Goods and Services	(37,123)
Cash Payments to Employees for Services	(13,416)
Other Operating Revenues	24,345
	<hr/>
Net Cash Provided (Used) by Operating Activities	\$ 31,392
	<hr/>
Cash Flows from Capital and Related Financing Activities:	
Payment of Revenue Bond	\$ (7,000)
Principal Payments - Equipment Contract	(10,783)
Addition to Water System	(28,317)
Interest Payments	(20,978)
	<hr/>
Net Cash Provided (Used) for Capital and Related Financing Activities	\$ (67,078)
	<hr/>
Cash Flows from Investing Activities:	
Interest on Investments	\$ 1,771
	<hr/>
Net Cash Provided (Used) by Investing Activities	\$ 1,771
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (33,915)
	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	120,742
	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 86,827
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF ELLSWORTH, MICHIGAN
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
YEAR ENDED FEBRUARY 28, 2005

	<u>WATER FUND</u>
<u>RECONCILIATION OF OPERATING INCOME</u>	
<u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>	
Operating Income (Loss)	\$ 3,372
Adjustments to Reconcile Operating Income	
To Net Cash Provided by Operating Activities	
Depreciation	\$ 28,694
(Increase) Decrease in Current Assets	
Accounts Receivable	(766)
Increase (Decrease) in Current Liabilities	
Accounts Payable	203
Salaries Payable	(111)
	<hr/>
Total Adjustments	\$ 28,020
	<hr/>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 31,392
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Village of Ellsworth, Michigan, is a general law village incorporated under the General Village Act of 1895. As required by generally accepted accounting principles, these financial statements present all activities of the Village. Entities for which the Village is considered to be financially accountable are called component units. The Village has no component units.

B. Government-wide and Fund Financial Statements

During fiscal year 2005, the Village adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2005

The government-wide focus is more on the sustainability of the Village as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Village are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2005

The Village of Ellsworth reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Major Street Fund* is used to account for the financial activity of the streets designated by the State of Michigan as major thoroughfares.

The *Local Street Fund* receives all local street money paid to the Village by the State, accounts for all construction, maintenance, traffic services, and snow and ice control on all streets classified as local.

The *Recreation Fund* is used to account for the financial activity of the recreation programs.

The Village of Ellsworth reports the following major proprietary fund:

The *Water Fund* records financial activity of the water system which provides water to customers.

Additionally the Village of Ellsworth reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

The *proprietary funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this general rule is charges between the government's water function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The investment policy adopted by this Village states that the Village Treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

- a. Bonds, securities, and other direct obligations of the United States or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States. This subdivision shall include securities issued or guaranteed by the Government National Mortgage Association.
- b. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
- c. In commercial paper rated prime at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service. In mutual funds composed of investment vehicles which are legal for direct investment of local units of government in Michigan.
- g. Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686.54789, 15 U.S.C.80a-1 to U.S.C.80a-3 and 80e-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by the village treasurer. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
- h. Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2005

- i. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.11 to 129.118.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. Village taxes are levied and due July 1, and become delinquent after September 14. Village property tax revenues are recognized when they become both measurable and available for use to finance Village operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2004 taxable valuation of the Village of Ellsworth totaled \$7,201,380, on which ad valorem taxes levied consisted of 11.00 mills for the Village of Ellsworth operating purposes.

3. *Inventories and Prepaid Items*

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed.

4. *Restricted Assets*

The \$66,991 restricted assets in the Water Fund represents monies required under the bond ordinance for the following:

<u>ITEM</u>	<u>ACTUAL</u>	<u>AMOUNT REQUIRED</u>
Bond and Interest Redemption Fund	\$ 25,000	\$ 5,298
Bond Reserve Account	36,990	33,000
Special Purpose Account	5,001	5,000
Total	\$ 66,991	\$ 43,298

5. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2005

activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the primary government, as well as the component units are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	20-50
Building improvements	20
Land Improvements	20
Public domain infrastructure	50
System infrastructure	30
Equipment	5-10

6. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act." A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end.

The appropriated budget is prepared by fund and activity. The Village Council exercises budgetary control over expenditures.

The Village follows these procedures in establishing the budgetary data reflected in these financial statements:

1. Prior to March 1, the clerk submits, to the Village Council, proposed operating budgets for all funds of the Village for the fiscal year
2. The Village Council adopts a resolution approving the budgets.
3. All transfers of budget amounts between departments within any fund and any revisions that alter the total expenditures of any fund must be approved by the Village Council.
4. During the year, the budget is monitored and amendments to the budget are made when it is deemed necessary.
5. Budget amounts as presented are as originally adopted on February 9, 2004, or as amended by the Village Council from time to time throughout the year.
6. Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Village because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The Village's deposits and investments are held separately by several of the Village's funds. At year-end, a total of \$30,123 of the Village's \$275,783 of total investments and deposits are in accounts which exceed federal depository insurance and are uncollateralized. The remaining \$245,660 is insured. At year-end, the carrying amount of the Village's deposits was \$252,361 and the bank balance was \$275,783.

B. Receivables

Receivables as of year end for the government's individual major funds in aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Major Street	Local Street	Recreation	Water	Total
Receivables						
Taxes	\$ 338	\$ 0	\$ 0	\$ 0	\$ 0	\$ 338
Accounts	0	0	0	0	6,659	6,659
Intergovernmental	0	15,085	3,321	0	0	18,406
Receivables	\$ 338	\$ 15,085	\$ 3,321	\$ 0	\$ 6,659	\$ 25,403

By ordinance, the Village can place substantially all of its delinquent receivables on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

No deferred revenue was recorded in any of the funds at the end of the current fiscal year.

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 17	\$ 0	\$ 0	\$ 17
Capital assets, being depreciated				
Buildings	\$ 109,000	\$ 0	\$ 0	\$ 109,000
Land Improvements	0	19,058	0	19,058
Machinery and Equipment	113,399	6,000	0	119,399
Total capital assets, being depreciated	\$ 222,399	\$ 25,058	\$ 0	247,457
Less accumulated depreciation for:				
Buildings	\$ 52,110	\$ 2,420	\$ 0	\$ 54,530
Land Improvements	0	476	0	476
Machinery and Equipment	92,369	7,050	0	99,419
Total accumulated depreciation	\$ 144,479	\$ 9,946	\$ 0	154,425
Total capital assets, being depreciated, net	\$ 77,920	\$ 15,112	\$ 0	93,032
Governmental activities capital assets, net	\$ 77,937	\$ 15,112	\$ 0	93,049

Business-Type Activities

Capital assets, being depreciated				
Buildings	\$ 29,337	\$ 0	\$ 0	\$ 29,337
Improvements other than buildings	50,643	0	0	50,643
Machinery and Equipment	1,156,172	28,317	0	1,184,489
Total capital assets, being depreciated	\$ 1,236,152	\$ 28,317	\$ 0	1,264,469
Less accumulated depreciation for:				
Improvements other than buildings	480,475	28,693	0	509,168
Business-type activities capital assets, net	\$ 755,677	\$ (376)	\$ 0	755,301

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ <u>9,946</u>
Business-type activities:	
Water	\$ <u>28,693</u>

Construction Commitments:

None.

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at February 28, 2005, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 3,807	\$ 0
Special Revenue Funds		
Major Street	0	6,150
Local Street	6,150	3,253
Enterprise Funds		
Water and Sewer	0	554
	\$ <u>9,957</u>	\$ <u>9,957</u>

All remaining balances generally resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at February 28, 2005, are expected to be repaid within one year.

Interfund Transfers as of February 28, 2005, were:

	<u>IN</u>	<u>TRANSFERS OUT</u>
<u>Primary Government</u>		
General Fund	\$ 0	\$ 1,700
Major Street Fund	0	14,150
Local Street Fund	14,150	0
Recreation Fund	1,700	0
	\$ <u>15,850</u>	\$ <u>15,850</u>

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

F. Long-Term Debt

1. Primary Government

The following is a summary of debt transactions of the Village of Ellsworth for the year ended February 28, 2005:

Governmental Activities:

	REVENUE BONDS	EQUIPMENT NOTES PAYABLE	TOTAL
Debt Payable at March 1, 2004	\$ 346,000	\$ 15,842	\$ 361,842
New Debt Incurred	0	0	0
Debt Retired	(7,000)	(14,817)	(21,817)
Debt Payable at February 28, 2005	\$ 339,000	\$ 1,025	\$ 340,025
Due within one year	\$ 7,000	\$ 1,025	\$ 8,025

Debt payable at February 28, 2005 is comprised of the following individual issues:

Individual Amounts:

\$8,000 Note for Equipment to Charlevoix State Bank Due in Monthly Installments of \$345 through June 10, 2005, Interest at 3.25%	\$ 1,025
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Revenue Bonds:

\$410,000 Water Supply System Revenue Bonds Due in Annual Installments of \$7,000 to \$30,000 through September 1, 2025; Interest at 6.125%	339,000
	\$ 340,025

The annual requirements to amortize these debts outstanding other than compensated absences as of February 28, 2005, including interest payments of \$270,826, are as follows:

VILLAGE OF ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

YEAR ENDING FEBRUARY 28,	EQUIPMENT NOTES PAYABLE		REVENUE BONDS		TOTAL
	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	
2006	\$ 10	\$ 1,025	\$ 20,549	\$ 7,000	\$ 28,584
2007	0	0	20,089	8,000	28,089
2008	0	0	19,599	8,000	27,599
2009	0	0	19,079	9,000	28,079
2010	0	0	18,528	9,000	27,528
2011-2015	0	0	82,687	60,000	142,687
2016-2020	0	0	60,454	86,000	146,454
2021-2025	0	0	28,912	122,000	150,912
2026	0	0	919	30,000	30,919
	\$ 10	\$ 1,025	\$ 270,816	\$ 339,000	\$ 610,851

IV. OTHER INFORMATION

A. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Village participates in a pool of municipalities with the State of Michigan for self-insuring worker's compensation insurance through Michigan Municipal Worker's Compensation Fund. The Village pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Village has not been informed of any special assessments being required for the current year or the three prior years.

In addition, the Village carries commercial insurance to cover property and casualty, crime, general liability, errors and omissions, and fidelity bonds.

B. Interest Income and Expense

For the year ended February 28, 2005, total interest/investment income was \$2,939 and total interest expense was \$21,083.

VILLAGE OF ELLSWORTH, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED FEBRUARY 28, 2005

	GENERAL FUND				MAJOR STREET FUND				LOCAL STREET FUND				RECREATION FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>																
Taxes	\$ 77,000	\$ 77,000	\$ 80,029	\$ 3,029	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Licenses and Permits	1,190	1,190	390	(800)	0	0	0	0	0	0	0	0	0	0	0	0
Federal Grants	0	0	3,515	3,515	0	0	0	0	0	0	0	0	0	0	0	0
State Grants	46,825	56,840	56,951	111	53,000	57,651	56,688	(963)	14,000	14,000	15,027	1,027	0	0	0	0
Contributions from Local Units	0	0	250	250	0	0	0	0	0	0	0	0	3,500	3,500	3,500	0
Charges for Services	0	0	0	0	0	0	0	0	0	0	0	0	430	430	671	241
Interest and Rents	44,350	46,590	43,619	(2,971)	150	150	153	3	80	80	57	(23)	0	0	0	0
Other Revenues	7,100	15,100	20,148	5,048	0	0	0	0	0	0	0	0	500	500	400	(100)
Total Revenues	\$ 176,465	\$ 196,720	\$ 204,902	\$ 8,182	\$ 53,150	\$ 57,801	\$ 56,841	\$ (960)	\$ 14,080	\$ 14,080	\$ 15,084	\$ 1,004	\$ 4,430	\$ 4,430	\$ 4,571	\$ 141
<u>EXPENDITURES</u>																
Legislative	\$ 13,650	\$ 22,686	\$ 11,695	\$ 10,991	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
General Government	82,033	94,673	87,382	7,291	0	0	0	0	0	0	0	0	0	0	0	0
Public Safety	7,800	3,800	1,720	2,080	0	0	0	0	0	0	0	0	0	0	0	0
Public Works	17,000	17,000	15,293	1,707	35,300	49,291	47,168	2,123	32,050	35,033	30,032	5,001	0	0	0	0
Health and Welfare	3,500	3,500	3,500	0	0	0	0	0	0	0	0	0	0	0	0	0
Community and Economic Development	6,300	5,337	2,679	2,658	0	0	0	0	0	0	0	0	0	0	0	0
Culture and Recreation	19,495	41,958	40,641	1,317	0	0	0	0	0	0	0	0	6,535	6,535	4,962	1,573
Other Functions	13,832	13,832	15,055	(1,223)	0	0	0	0	0	0	0	0	0	0	0	0
Debt Service	11,155	4,755	4,139	616	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures	\$ 174,765	\$ 207,541	\$ 182,104	\$ 25,437	\$ 35,300	\$ 49,291	\$ 47,168	\$ 2,123	\$ 32,050	\$ 35,033	\$ 30,032	\$ 5,001	\$ 6,535	\$ 6,535	\$ 4,962	\$ 1,573
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,700	\$ (10,821)	\$ 22,798	\$ 33,619	\$ 17,850	\$ 8,510	\$ 9,673	\$ 1,163	\$ (17,970)	\$ (20,953)	\$ (14,948)	\$ 6,005	\$ (2,105)	\$ (2,105)	\$ (391)	\$ 1,714
<u>OTHER FINANCING SOURCES (USES)</u>																
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,000	\$ 13,000	\$ 14,150	\$ 1,150	\$ 1,700	\$ 1,700	\$ 1,700	\$ 0
Transfers Out	(1,700)	(1,700)	(1,700)	0	(13,000)	(13,000)	(14,150)	(1,150)	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	\$ (1,700)	\$ (1,700)	\$ (1,700)	\$ 0	\$ (13,000)	\$ (13,000)	\$ (14,150)	\$ (1,150)	\$ 13,000	\$ 13,000	\$ 14,150	\$ 1,150	\$ 1,700	\$ 1,700	\$ 1,700	\$ 0
Net Change in Fund Balance	\$ 0	\$ (12,521)	\$ 21,098	\$ 33,619	\$ 4,850	\$ (4,490)	\$ (4,477)	\$ 13	\$ (4,970)	\$ (7,953)	\$ (798)	\$ 7,155	\$ (405)	\$ (405)	\$ 1,309	\$ 1,714
<u>FUND BALANCE - Beginning of Year</u>	90,000	92,879	105,417	12,538	37,000	27,660	46,922	19,262	5,000	2,017	6,593	4,576	528	528	662	134
<u>FUND BALANCE - End of Year</u>	\$ 90,000	\$ 80,358	\$ 126,515	\$ 46,157	\$ 41,850	\$ 23,170	\$ 42,445	\$ 19,275	\$ 30	\$ (5,936)	\$ 5,795	\$ 11,731	\$ 123	\$ 123	\$ 1,971	\$ 1,848

VILLAGE OF ELLSWORTH, MICHIGAN

GENERAL FUND
COMPARATIVE BALANCE SHEET

FEBRUARY 28,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash		
Checking	\$ 75,796	\$ 71,939
Certificates of Deposit	53,752	53,747
Taxes Receivable	338	338
Due From Other Funds		
Water Fund	554	554
Local Streets	3,253	3,253
TOTAL ASSETS	<u>\$ 133,693</u>	<u>\$ 129,831</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 2,386	\$ 19,008
Payroll Withholdings Payable	412	386
Accrued Wages	4,380	5,020
Total Liabilities	\$ 7,178	\$ 24,414
<u>FUND BALANCE</u>		
Unreserved	126,515	105,417
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 133,693</u>	<u>\$ 129,831</u>

VILLAGE OF ELLSWORTH, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2005
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 29, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	
	<u>2005</u>	<u>2005</u>	<u>2004</u>
<u>REVENUES</u>			
Taxes	\$ 77,000	\$ 80,029	\$ 76,905
Licenses and Permits	1,190	390	350
Federal Grant	0	3,515	14,485
State Grants	56,840	56,951	52,767
Contributions From Local Units	0	250	0
Interest and Rents	46,590	43,619	48,927
Other Revenues	15,100	20,148	37,826
Total Revenues	<u>\$ 196,720</u>	<u>\$ 204,902</u>	<u>\$ 231,260</u>
<u>EXPENDITURES</u>			
Legislative	\$ 22,686	\$ 11,695	\$ 55,409
General Government	94,673	87,382	106,351
Public Safety	3,800	1,720	1,132
Public Works	17,000	15,293	15,317
Community and Economic Development	5,337	2,679	2,387
Health and Welfare	3,500	3,500	3,500
Recreation and Cultural	41,958	40,641	18,540
Other Functions	13,832	15,055	13,932
Debt Service	4,755	4,139	6,037
Total Expenditures	<u>\$ 207,541</u>	<u>\$ 182,104</u>	<u>\$ 222,605</u>
Excess of Revenues Over (Under) Expenditures	\$ (10,821)	\$ 22,798	\$ 8,655
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	<u>(1,700)</u>	<u>(1,700)</u>	<u>(1,700)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (12,521)	\$ 21,098	\$ 6,955
<u>FUND BALANCE</u> - Beginning of Year	<u>92,879</u>	<u>105,417</u>	<u>98,462</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 80,358</u>	<u>\$ 126,515</u>	<u>\$ 105,417</u>

VILLAGE OF ELLSWORTH, MICHIGAN

GENERAL FUND
ANALYSIS OF REVENUES

YEAR ENDED FEBRUARY 28, 2005

REVENUES

Taxes

Current Taxes	\$ 79,214
Property Tax Administration Fee	<u>815</u>

Total Taxes \$ 80,029

Licenses and Permits

Zoning Permits and Fees	\$ 225
Special Use Permits	<u>165</u>

Total Licenses and Permits 390

Federal Grant

Community Development Block Grant 3,515

State Grants

Sales Tax	\$ 47,705
Telecommunications Right of Way	2,783
Liquor Licenses	963
Arts and Cultures Grant	<u>5,500</u>

Total State Grants 56,951

Contributions From Local Units

Banks Township 250

Interest and Rents

Interest	\$ 978
Equipment Rental	18,210
Park Rental	<u>24,431</u>

Total Interest and Rents 43,619

Other Revenue

Donations from Private Sources	\$ 14,599
Refunds	4,673
Miscellaneous	<u>876</u>

Total Other Revenues 20,148

TOTAL REVENUES \$ 204,902

VILLAGE OF ELLSWORTH, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28, 2005

EXPENDITURES

Legislative

Village Council

Personal Services

Salaries and Wages \$ 2,440

Other Services and Charges

Professional Services 7,745

Printing and Publishing 205

Memberships and Dues 756

Miscellaneous 549

Total Legislative \$ 11,695

General Government

Elections

Other Services and Charges

Contracted Services \$ 32

Printing and Publishing 85 \$ 117

Clerk's Office

Personal Services

Salaries and Wages \$ 5,310

Supplies

Office Supplies 975

Other Services and Charges

Communication 696

Education 300

Capital Outlay 852 8,133

Treasurer's Office

Personal Services

Salaries and Wages \$ 2,997

Supplies

Office Supplies 319

Other Services and Charges

Contracted Services 99 3,415

Building and Grounds

Personal Services

VILLAGE OF ELLSWORTH, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28, 2005

Salaries and Wages	\$	38,039	
Supplies			
Operating Supplies		4,807	
Other Services and Charges			
Repairs and Maintenance		16,457	
Contracted Services		6,809	
Laundry		519	
Communication		177	
Snow Removal		2,605	
Capital Outlay		6,304	75,717
Total General Government			87,382
Public Safety			
Police Department			
Personal Services			
Salaries and Wages	\$	1,420	
Other Services and Charges			
Communication		275	
Repair and Maintenance		25	
Total Public Safety			1,720
Public Works			
Department of Public Works			
Hydrant Rental	\$	5,000	
Street Lighting			
Other Services and Charges			
Public Utilities		10,293	
Total Public Works			15,293
Community and Economic Development			
Planning Commission			
Other Services and Charges			
Professional Services	\$	25	
Contracted Services		2,640	
Printing and Publishing		14	
Total Community and Economic Development			2,679

VILLAGE OF ELLSWORTH, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28, 2005

Health and Welfare

Ambulance

Other Services and Charges

Contracted Services

3,500

Recreation and Cultural

Parks

Personal Services

Salaries and Wages

\$ 6,836

Supplies

Operating Supplies

1,794

Other Services and Charges

Utilities

2,959

Repair and Maintenance

5,641

Communication

479

Printing and Publishing

224

Contracted Services

2,787

Miscellaneous - Other

863

Capital Outlay

19,058

Total Recreation and Cultural

40,641

Other Functions

Fringe Benefits

Social Security and Medicare

\$ 2,471

Health and Life Insurance

1,100

Worker's Compensation

1,559

Michigan Employment Security Commission

16

\$ 5,146

Insurance and Bonds

9,909

Total Other Functions

15,055

VILLAGE OF ELLSWORTH, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28, 2005

Debt Service		
Equipment Contract Principal	\$ 4,034	
Interest Charges	<u> 105</u>	
 Total Debt Service		<u> 4,139</u>
 TOTAL EXPENDITURES		 \$ 182,104
 <u>OTHER FINANCING USES</u>		
Transfers Out		
Recreation Fund		<u> 1,700</u>
 TOTAL EXPENDITURES AND OTHER FINANCING USES		 <u><u> \$ 183,804</u></u>

VILLAGE OF ELLSWORTH, MICHIGAN

MAJOR STREET FUND
COMPARATIVE BALANCE SHEET

FEBRUARY 28,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash		
Checking	\$ 34,058	\$ 36,467
Due from Other Governmental Units	15,085	16,049
TOTAL ASSETS	<u>\$ 49,143</u>	<u>\$ 52,516</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 548	\$ 594
Due to Other Funds	6,150	5,000
TOTAL LIABILITIES	\$ 6,698	\$ 5,594
<u>FUND BALANCE</u>		
Unreserved	42,445	46,922
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 49,143</u>	<u>\$ 52,516</u>

VILLAGE OF ELLSWORTH, MICHIGAN

MAJOR STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 29, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	
	<u>2005</u>	<u>2005</u>	<u>2004</u>
<u>REVENUES</u>			
State Grants			
Act 51 Distributions	\$ 57,651	\$ 56,688	\$ 55,658
Interest and Rents			
Interest	150	133	177
Miscellaneous	<u>0</u>	<u>20</u>	<u>0</u>
Total Revenues	<u>\$ 57,801</u>	<u>\$ 56,841</u>	<u>\$ 55,835</u>
<u>EXPENDITURES</u>			
Public Works			
Routine Maintenance			
Personal Services			
Salaries and Wages	\$ 2,500	\$ 1,752	\$ 2,089
Employee Benefits	140	134	160
Supplies			
Materials and Supplies	2,630	2,627	665
Other Services and Charges			
Contract Labor and Services	11,570	11,569	2,238
Repairs and Maintenance	1,706	1,706	0
Equipment Rentals	2,752	2,752	2,700
Winter Maintenance			
Personal Services			
Salaries and Wages	5,000	4,282	4,414
Employee Benefits	360	349	321
Supplies			
Materials and Supplies	6,183	6,183	818
Other Services and Charges			
Contract Labor and Services	500	240	221
Equipment Rentals	15,000	14,637	17,885

VILLAGE OF ELLSWORTH, MICHIGAN

MAJOR STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 29, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	
	<u>2005</u>	<u>2005</u>	<u>2004</u>
Signs and Signals			
Supplies			
Materials and Supplies	250	245	468
Other Services and Charges			
Utilities	100	92	83
Administration and General			
Personal Services			
Salaries and Wages	300	300	300
Other Services and Charges			
Audit and Other	300	300	300
	<u>300</u>	<u>300</u>	<u>300</u>
Total Expenditures	\$ 49,291	\$ 47,168	\$ 32,662
Excess of Revenues Over (Under) Expenditures	\$ 8,510	\$ 9,673	\$ 23,173
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out			
Local Street Fund	(13,000)	(14,150)	(5,000)
Excess of Revenues Over (Under)			
Expenditures and Other Uses	\$ (4,490)	\$ (4,477)	\$ 18,173
<u>FUND BALANCE</u> - Beginning of Year	<u>27,660</u>	<u>46,922</u>	<u>28,749</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 23,170</u>	<u>\$ 42,445</u>	<u>\$ 46,922</u>

VILLAGE OF ELLSWORTH, MICHIGAN

LOCAL STREET FUND
COMPARATIVE BALANCE SHEET

FEBRUARY 28,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash		
Checking	\$ 0	\$ 1,539
Due from Other Governmental Units	3,321	3,756
Due from Other Funds	6,150	5,000
TOTAL ASSETS	<u>\$ 9,471</u>	<u>\$ 10,295</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Bank Overdraft	\$ 43	\$ 0
Accounts Payable	380	449
Due to Other Funds		
General Fund	3,253	3,253
Total Liabilities	\$ 3,676	\$ 3,702
<u>FUND BALANCE</u>		
Unreserved	5,795	6,593
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 9,471</u>	<u>\$ 10,295</u>

VILLAGE OF ELLSWORTH, MICHIGAN

LOCAL STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 29, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	
	<u>2005</u>	<u>2005</u>	<u>2004</u>
<u>REVENUES</u>			
State Grants			
Act 51 Distributions	\$ 14,000	\$ 15,027	\$ 14,934
Interest and Rents			
Interest	<u>80</u>	<u>57</u>	<u>97</u>
Total Revenues	<u>\$ 14,080</u>	<u>\$ 15,084</u>	<u>\$ 15,031</u>
<u>EXPENDITURES</u>			
Public Works			
Routine Maintenance			
Personal Services			
Salaries and Wages	\$ 1,826	\$ 1,745	\$ 1,165
Fringe Benefits	125	134	89
Supplies			
Operating Supplies	1,234	1,234	422
Other Services and Charges			
Equipment Rental	1,200	917	851
Contracted Services	20,000	15,656	2,415
Winter Maintenance			
Personal Services			
Salaries and Wages	3,025	2,956	1,492
Fringe Benefits	125	234	104
Supplies			
Operating Supplies	1,598	1,597	273
Other Services and Charges			
Equipment Rental	5,000	4,879	5,961
Contracted Services	200	80	74
Signs and Signals			
Supplies			
Materials and Supplies	100	0	0
Other Services and Charges			
Utilities	0	0	7

VILLAGE OF ELLSWORTH, MICHIGAN

LOCAL STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 29, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	
	<u>2005</u>	<u>2005</u>	<u>2004</u>
Administration and General			
Personal Services			
Salaries and Wages	300	300	300
Other Services and Charges			
Audit and Other	300	300	300
Total Expenditures	<u>\$ 35,033</u>	<u>\$ 30,032</u>	<u>\$ 13,453</u>
Excess of Revenues Over (Under) Expenditures	\$ (20,953)	\$ (14,948)	\$ 1,578
<u>OTHER FINANCING SOURCES</u>			
Transfers In			
Major Street Fund	<u>13,000</u>	<u>14,150</u>	<u>5,000</u>
Excess of Revenues and Other Sources			
Over (Under) Expenditures	\$ (7,953)	\$ (798)	\$ 6,578
<u>FUND BALANCE</u> - Beginning of Year	<u>2,017</u>	<u>6,593</u>	<u>15</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ (5,936)</u>	<u>\$ 5,795</u>	<u>\$ 6,593</u>

VILLAGE OF ELLSWORTH, MICHIGAN

RECREATION FUND
COMPARATIVE BALANCE SHEET

FEBRUARY 28,

		<u>2005</u>	<u>2004</u>
	<u>ASSETS</u>		
Cash			
Checking		<u>\$ 1,971</u>	<u>\$ 662</u>
	<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		\$ 0	\$ 0
<u>FUND BALANCE</u>			
Reserved for Recreation Programs		<u>1,971</u>	<u>662</u>
 TOTAL LIABILITIES AND FUND BALANCE		<u><u>\$ 1,971</u></u>	<u><u>\$ 662</u></u>

VILLAGE OF ELLSWORTH, MICHIGAN

RECREATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2005
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 29, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	
	<u>2005</u>	<u>2005</u>	<u>2004</u>
<u>REVENUES</u>			
Contributions from Local Units			
Banks Township	\$ 3,500	\$ 3,500	\$ 3,000
Charges for Services			
Recreation Entry Fees	430	671	431
Other Revenues			
Contributions and Field Rental	500	400	850
	<u>500</u>	<u>400</u>	<u>850</u>
Total Revenues	<u>\$ 4,430</u>	<u>\$ 4,571</u>	<u>\$ 4,281</u>
<u>EXPENDITURES</u>			
Summer Recreation			
Supplies			
Uniforms	\$ 1,100	\$ 954	\$ 1,299
Athletic Supplies	835	539	835
Other Services and Charges			
Contracted Services			
Recreation Directors	1,500	1,500	1,500
Umpires	1,000	680	975
Transportation and Expense	600	595	600
Field Maintenance	500	276	1,140
Miscellaneous			
League Dues and Fees	100	30	99
Field Set Up	700	352	701
Other	200	36	203
	<u>200</u>	<u>36</u>	<u>203</u>
Total Expenditures	<u>\$ 6,535</u>	<u>\$ 4,962</u>	<u>\$ 7,352</u>
Excess of Revenues Over (Under) Expenditures	\$ (2,105)	\$ (391)	\$ (3,071)

VILLAGE OF ELLSWORTH, MICHIGAN

RECREATION FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 29, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	
	<u>2005</u>	<u>2005</u>	<u>2004</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers In			
General Fund	<u>1,700</u>	<u>1,700</u>	<u>1,700</u>
Excess of Revenues and Other Sources			
Over (Under) Expenditures	\$ (405)	\$ 1,309	\$ (1,371)
<u>FUND BALANCE</u> - Beginning of Year	<u>528</u>	<u>662</u>	<u>2,033</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 123</u>	<u>\$ 1,971</u>	<u>\$ 662</u>

VILLAGE OF ELLSWORTH, MICHIGAN

WATER FUND

COMPARATIVE STATEMENT OF NET ASSETS

FEBRUARY 28,

	<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
<u>CURRENT ASSETS</u>			
Cash			
Checking		\$ 16,536	\$ 26,871
Certificate of Deposit		3,300	27,385
Accounts Receivable		6,659	5,893
Inventory		2,000	2,000
		<hr/>	<hr/>
Total Current Assets		\$ 28,495	\$ 62,149
		<hr/>	<hr/>
<u>RESTRICTED ASSETS</u>			
Deposits			
Bond and Interest Redemption Fund		\$ 25,000	\$ 25,000
Bond Reserve Account		36,990	36,486
Special Purpose Account		5,001	5,001
		<hr/>	<hr/>
Total Restricted Assets		\$ 66,991	\$ 66,487
		<hr/>	<hr/>
<u>CAPITAL ASSETS</u>			
Buildings		\$ 29,337	\$ 29,337
Machinery and Equipment		50,643	50,643
Water Systems		1,184,489	1,156,172
		<hr/>	<hr/>
Total Capital Assets		\$ 1,264,469	\$ 1,236,152
Less Accumulated Depreciation		509,168	480,475
		<hr/>	<hr/>
Net Capital Assets		\$ 755,301	\$ 755,677
		<hr/>	<hr/>
TOTAL ASSETS		<u>\$ 850,787</u>	<u>\$ 884,313</u>

WATER FUND
COMPARATIVE STATEMENT OF NET ASSETS

	2005	2004
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 813	\$ 610
Salaries Payable	443	554
Due to General Fund	554	554
Revenue Bonds Payable - Current Portion	7,000	7,000
Equipment Contract Payable - Current Portion	0	10,783
Total Current Liabilities	\$ 8,810	\$ 19,501
<u>LONG-TERM LIABILITIES</u>		
Revenue Bonds Payable - Net of Current Portion	332,000	339,000
Total Liabilities	\$ 340,810	\$ 358,501
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 416,301	\$ 398,894
Restricted	66,991	66,487
Unrestricted	26,685	60,431
Total Net Assets	\$ 509,977	\$ 525,812
TOTAL LIABILITIES AND NET ASSETS	\$ 850,787	\$ 884,313

VILLAGE OF ELLSWORTH, MICHIGAN

WATER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS

YEAR ENDED FEBRUARY 28,

	<u>2005</u>	<u>2004</u>
<u>OPERATING REVENUES</u>		
Charges for Services		
Sales	\$ 58,352	\$ 60,742
Other Revenue		
Hydrant Rental	5,000	5,000
Equipment Rental	5,576	8,441
New Service Fees	0	500
Repairs	717	839
Lot Sale-Hillman	0	1,000
DEQ Grant	9,252	7,673
Wellhead Protection Grant	3,800	0
	<hr/>	<hr/>
Total Operating Revenues	\$ 82,697	\$ 84,195
	<hr/>	<hr/>
<u>OPERATING EXPENSES</u>		
Administration and General		
Personal Services		
Salaries and Wages	\$ 5,310	\$ 5,202
Fringe Benefits	406	398
Supplies		
Office and Computer Supplies	659	946
Other Services and Charges		
Professional Fees	1,500	1,792
Telephone	2,169	2,562
Miscellaneous	348	385
Plant		
Personal Services		
Salaries and Wages	7,043	10,977
Fringe Benefits	546	847
Other Services and Charges		
Professional Services	14,754	17,700
Operating Supplies and Repairs	13,964	7,406
Utilities	3,268	3,761
Miscellaneous	664	164
Depreciation	28,694	27,985
	<hr/>	<hr/>
Total Operating Expenses	\$ 79,325	\$ 80,125
	<hr/>	<hr/>
Operating Income (Loss)	\$ 3,372	\$ 4,070
	<hr/>	<hr/>

VILLAGE OF ELLSWORTH, MICHIGAN

WATER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS

YEAR ENDED FEBRUARY 28,

	<u>2005</u>	<u>2004</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest Income	\$ 1,771	\$ 2,589
Interest Expense	(20,978)	(21,376)
Total Nonoperating Revenues (Expenses)	<u>\$ (19,207)</u>	<u>\$ (18,787)</u>
Change in Net Assets	\$ (15,835)	\$ (14,717)
<u>NET ASSETS</u> - Beginning of Year	<u>525,812</u>	<u>540,529</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$ 509,977</u></u>	<u><u>\$ 525,812</u></u>

VILLAGE OF ELLSWORTH, MICHIGAN

WATER FUND
COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED FEBRUARY 28,

	<u>2005</u>	<u>2004</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 57,586	\$ 61,280
Cash Payments for Suppliers for Goods and Services	(37,123)	(35,875)
Cash Payments for Employees for Services	(13,416)	(17,565)
Other Operating Revenues	24,345	23,453
	<hr/>	<hr/>
Net Cash Provided by Operating Activities	\$ 31,392	\$ 31,293
	<hr/>	<hr/>
Cash Flows from Capital and Related Financing Activities:		
Payment of Revenue Bond	\$ (7,000)	\$ (6,000)
Principal Payments - Equipment Contract	(10,783)	(10,783)
Addition To Water System	(28,317)	(25,298)
Interest Payments	(20,978)	(21,376)
	<hr/>	<hr/>
Net Cash Used for Capital and Related Financing Activities	\$ (67,078)	\$ (63,457)
	<hr/>	<hr/>
Cash Flows from Investing Activities:		
Interest on Investments	\$ 1,771	\$ 2,589
	<hr/>	<hr/>
Net Increase in Cash and Cash Equivalents	\$ (33,915)	\$ (29,575)
	<hr/>	<hr/>
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	120,742	150,317
	<hr/>	<hr/>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 86,827</u>	<u>\$ 120,742</u>

VILLAGE OF ELLSWORTH, MICHIGAN

WATER FUND

COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED FEBRUARY 28,

	<u>2005</u>	<u>2004</u>
<u>RECONCILIATION OF OPERATING INCOME</u>		
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating Income (Loss)	<u>\$ 3,372</u>	<u>\$ 4,070</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	\$ 28,694	\$ 27,985
(Increase) Decrease in Current Assets		
Accounts Receivable	(766)	539
Increase (Decrease) in Current Liabilities		
Accounts Payable	203	(814)
Salaries Payable	(111)	(141)
Due to Other Funds	<u>0</u>	<u>(346)</u>
Total Adjustments	<u>\$ 28,020</u>	<u>\$ 27,223</u>
<u>Net Cash Provided by Operating Activities</u>	<u><u>\$ 31,392</u></u>	<u><u>\$ 31,293</u></u>

VILLAGE OF ELLSWORTH, MICHIGAN

WATER SUPPLY SYSTEM REVENUE BONDS PAYABLE
FEBRUARY 28, 2005

<u>NAME OF ISSUE</u>	Water Supply System Revenue Bonds		
<u>DATE OF ISSUE</u>	November 1, 1985		
<u>PURPOSE</u>	To finance a portion of the cost of acquiring and constructing improvements to the Village's Water Supply System.		
<u>INTEREST PAYABLE</u>	September 1, and March 1, of each year		
<u>AMOUNT OF ISSUE</u>			\$ 410,000
<u>AMOUNT REDEEMED</u>			
Prior Years	\$ 64,000		
Current Year	<u>7,000</u>		<u>71,000</u>
<u>BALANCE OUTSTANDING</u> - February 29, 2005			<u>\$ 339,000</u>
<u>CALL PROVISIONS</u>	Principal installments are subject to prepayment prior to maturity, in inverse chronological order, at the option of the Village on any interest payment date on or after September 1, 1986, at par and accrued interest to date fixed for prepayment.		
<u>RATE OF INTEREST</u>	6.125% per annum on all maturities		

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
September 1, 2005	\$ 7,000	\$ 10,382	\$ 17,382
March 1, 2006		10,167	10,167
September 1, 2006	8,000	10,167	18,167
March 1, 2007		9,922	9,922
September 1, 2007	8,000	9,922	17,922
March 1, 2008		9,677	9,677

VILLAGE OF ELLSWORTH, MICHIGAN

WATER SUPPLY SYSTEM REVENUE BONDS PAYABLE
FEBRUARY 28, 2005

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
September 1, 2008	9,000	9,677	18,677
March 1, 2009		9,402	9,402
September 1, 2009	9,000	9,402	18,402
March 1, 2010		9,126	9,126
September 1, 2010	10,000	9,126	19,126
March 1, 2011		8,820	8,820
September 1, 2011	11,000	8,820	19,820
March 1, 2012		8,483	8,483
September 1, 2012	12,000	8,483	20,483
March 1, 2013		8,116	8,116
September 1, 2013	13,000	8,116	21,116
March 1, 2014		7,717	7,717
September 1, 2014	14,000	7,717	21,717
March 1, 2015		7,289	7,289
September 1, 2015	15,000	7,289	22,289
March 1, 2016		6,829	6,829
September 1, 2016	16,000	6,829	22,829
March 1, 2017		6,339	6,339
September 1, 2017	17,000	6,339	23,339
March 1, 2018		5,819	5,819
September 1, 2018	18,000	5,819	23,819
March 1, 2019		5,268	5,268
September 1, 2019	20,000	5,268	25,268
March 1, 2020		4,655	4,655
September 1, 2020	21,000	4,655	25,655
March 1, 2021		4,012	4,012
September 1, 2021	23,000	4,012	27,012
March 1, 2022		3,308	3,308
September 1, 2022	24,000	3,308	27,308
March 1, 2023		2,573	2,573
September 1, 2023	26,000	2,573	28,573
March 1, 2024		1,776	1,776
September 1, 2024	28,000	1,776	29,776
March 1, 2025		919	919
September 1, 2025	30,000	919	30,919
	<u>\$ 339,000</u>	<u>\$ 270,816</u>	<u>\$ 609,816</u>

VILLAGE OF ELLSWORTH, MICHIGAN

STATEMENT OF 2004 TAX ROLL
YEAR ENDED FEBRUARY 28, 2005

TAXES ASSESSED (State Taxable Valuation \$7,201,380)

General Fund - 11.0000 Mills	\$ 79,214
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TAXES COLLECTED

General Fund	<u>68,943</u>
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TAXES RETURNED DELINQUENT

General Fund	<u><u>\$ 10,271</u></u>
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134 WEST HARRIS STREET
CADILLAC, MICHIGAN 49601
231-775-9789
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

May 19, 2005

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Village Council
Village of Ellsworth, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ellsworth, Michigan, as of and for the year ended February 28, 2005, which collectively comprise the Village of Ellsworth's basic financial statements and have issued our report thereon dated May 19, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Ellsworth's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village of Ellsworth's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Letter of Reportable Conditions.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described in the accompanying Letter of Reportable Conditions is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Ellsworth's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Village Council and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

May 19, 2005

LETTER OF REPORTABLE CONDITIONS

To the Village Council
Village of Ellsworth
Ellsworth, Michigan

In planning and performing our audit of the basic financial statements of the Village of Ellsworth, Michigan for the year ended February 28, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The relatively small number of people involved in the accounting functions of the Village and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Council must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Council and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

May 19, 2005

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Village Council
Village of Ellsworth
Ellsworth, Michigan

As a result of our audit of the financial statements of the Village of Ellsworth, Michigan, for the year ended February 28, 2005, we would like to take this opportunity to comment on the following items relative to the management and accounting procedures of the Village:

Budgeting

Pertaining to the Village's compliance with Public Act 621 of 1978, the following items are noted:

1. One activity in the General Fund exceeded the budgeted amount. The Village should always amend budgets prior to incurring expenditures in excess of budgeted amounts.
2. Overall, the budgeting procedures used by the Village are extremely accurate, and we encourage the Village to continue this excellent effort.

New Accounting Pronouncement

The Governmental Accounting Standards Board has issued Statement 34 that provides for changes in reporting requirements for Village financial statements. For the Village of Ellsworth, these changes were implemented in the February 28, 2005 financial audit.

Some of the changes required by GASB 34 are as follows:

- a. Management's discussion and analysis is a new section in the financial report. This includes the administration's narrative overview of the information contained in the financial statements.
- b. Several new types of financial statements are now included that report financial information on a Village-wide basis and incorporate capital assets and a provision for depreciation on those assets.

Property Tax Administration Fee

The Village is charging a 1% property tax administration fee. The Village has determined that authorized costs of tax collection will be repeatedly in excess of revenue generated by the administration fee but has not formally taken action to write off this loss. We recommend that the Village keep subsidiary records which reflect property tax administration fee collections and costs and that the board pass a motion to write off the loss annually.

Reportable Condition in Internal Controls

In planning and performing our audit of the basic financial statements of the Village of Ellsworth for the year ended February 28, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

Certain matters considered to be reportable conditions in internal control were noted. We have included a separate letter (letter of reportable conditions) which addresses those items noted.

We would like to thank the Council for its continued confidence in our firm by awarding us the audit assignment of the Village. We would also like to thank the Clerk and President for their cooperation in helping us fulfill the audit of the Village records.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

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